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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

June 1, 2016

Certified Return Receipt
7014 2870 0001 4231 9739

Kyle Kimmerle
Kimmerle Mining LLC
2056 Simpatica Court
Moab, Utah 84532

Subject: Division Directive to Reclaim, Kimmerle Mining LLC, Neighbor 2 Mine, S/037/0119, San Juan County, Utah

Dear Mr. Kimmerle:

By letter dated January 15, 2016, the Division of Oil, Gas and Mining required reclamation of the Neighbor 2 mine by May 1, 2016. The Division subsequently received an annual report, a note with the annual report, and an e mail about the Division's determination that the site should be reclaimed. The Division has responded to these inquiries and comments and affirms its decision to require reclamation. **The deadline for completing reclamation is hereby unilaterally extended to July 11, 2016.**

The Division is taking this action in compliance with R647-3-113.5 based on records submitted by Kimmerle Mining Company indicating the Neighbor 2 mine has been inactive since 2005. There has been no effort to appeal to the Board of Oil, Gas and Mining for an extended period of inactivity by the required deadline stipulated in previous communications. Annual permit fees have also not been paid to keep the permit active, therefore the permit has been suspended.

Rule R647-3-113.5 states in part:

"...Reclamation of a small mining operation may be required after five (5) years of continued suspension. The Division will require complete reclamation of the mine site when the suspension period exceeds 10 years, unless the operator appeals to the Board prior to the expiration of the 10-year period and shows good cause for a longer suspension period."

A letter was sent to you in May 2015 notifying you of the pending end of the 10-year period and giving you the opportunity to appeal to the Board of Oil, Gas and Mining by October 26, 2015, for an extension of the suspension period within the required time frame. A second letter was sent to you in February of 2016 that outlined the need to appeal to the Board of Oil, Gas and Mining, not to the Division. This was sent after you asked, by e mail referenced above, if an e mail to the Division requesting an extension was adequate. To date, no appeal has been received or presented to the Board and, therefore, the reclamation requirements of R647-3-113.5 are now in force.

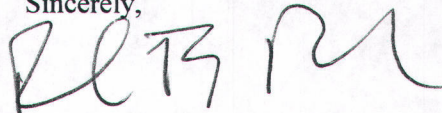


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In consultation with the BLM Monticello Field Office, it is agreed that the only reclamation requirement is to remove all equipment brought onto the site, such as the small drill rig. Upon completion of reclamation, you must submit a form MR-SITE requesting full bond release. However, in order to release a cash surety, the bank holding the cash must have a properly completed IRS Form W-9 on file. To date, no W-9 form has been received.

Failure to complete reclamation as required may result in enforcement action and forfeiture of the reclamation surety to provide the resources necessary for the Division to conduct removal and disposal the equipment. If you have questions or concerns about this letter, please contact Mike Bradley at 801-538-5332, or me at 801-538-5261. Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read 'PB Baker', written over the word 'Sincerely,'.

Paul B. Baker
Minerals Program Manager

PBB: mpb: eb

cc: Ted McDougall, BLM Monticello FO (tmcDougall@blm.gov)

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